



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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Revised

November 17, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NUMBER THREE TO COUNTY AGREEMENT NUMBER
H-211033 WITH HEALTH MANAGEMENT SYSTEMS, INC.**
(All Districts) (3 Votes)

CIO RECOMMENDATION: APPROVE ☒ APPROVE WITH MODIFICATION ☐ DISAPPROVE ☐

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, to offer and sign Amendment Number Three, substantially similar to Exhibit I, to County Agreement Number H-211033 with Health Management Systems, Inc., for the continued provision of maintenance, support and training for Patient Management System software for the Office of Managed Care and Health Center Operations system software for Public Health. This amendment will extend the term for two additional years, effective December 31, 2005 through December 30, 2007, and upon the written mutual consent of County and Contractor, two one-year optional extensions through December 30, 2009. This amendment will increase the maximum contract obligation by \$4,644,315 over the two-year extension period with optional two one-year extensions, at a maximum cost of \$5,499,334 for the two optional years, for a total of \$10,143,649 for the four-year period, all of which are 100% offset by State and federal funds. After giving effect to the amendment obligation, the maximum contract obligation is \$18,353,400.
2. Instruct the Director or Acting Director of Office of Managed Care to provide a written status report to your Board every six (6) months regarding the procurement of a replacement system for the Patient Management System.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

In approving the recommended actions, the Board is authorizing the Director of Health Services, or his designee, to: 1) sign Amendment Number Three (Amendment) to Agreement Number H-211033 (Agreement) with Health Management Systems, Inc. (HMS) to continue provision of maintenance, support and training for Patient Management Systems (PMS) for the Office of Managed Care (OMC) and Health Center Operations (HCO) system software for Public Health (PH) and 2) instruct the Director or Acting Director of Office of Managed Care to provide a written status report every six (6) months regarding the procurement of a replacement system in the Patient Management System.

Title 28, Article 9, Sections 1300.75.4.3 and 1300.84.6 require managed care health plans, including the County's Community Health Plan (CHP) and the State Department of Managed Health Care, to have a member and enrollment reporting system as well as a data reporting system. The PMS component of the Agreement satisfies this requirement for the CHP. The HCO component of the Agreement provides needed support for system software at Department of Health Services' (DHS) public health centers and personal health centers.

Currently, the strategic direction for OMC is to strengthen its internal infrastructure and migrate away from the PMS to a new integrated managed care system to meet its growing business needs. Even if this strategic direction results in the termination of the PMS, Public Health may desire to continue with the HCO system under the Agreement. While OMC continues to develop this strategy, it is recommended that this Amendment be approved to provide continued support of both the PMS and HCO systems.

FISCAL IMPACT/FINANCING:

This Amendment increases the County's maximum contract obligation by \$4,644,315 over the two-year extension period, effective December 31, 2005 through December 30, 2007, with optional two one-year extensions, at a maximum cost of \$5,499,334 for the two optional years, through December 30, 2009, for a total of \$10,143,649 for the four-year period, all of which are 100% offset by State and federal funds. After giving effect to this Amendment, County's maximum contract obligation is \$18,353,400.

The increase in the County's maximum contract obligation for this Amendment includes: 1) a 3% built-in annual cost of living allowance for Project Administration and Training deliverables which is based on U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index for the Los Angeles-Riverside-Orange County Area for 2004; 2) a 10% built-in annual increase in the billing rate for Professional Services - Custom Programming Modification due to recruitment and retention issues for qualified programmers; 3) an annual increase in maximum programming hours due to growing business requirements; and 4) a 20% increase in the maximum number of Claims Entry/Processing based on prior historical Claims Entry/Processing information. The current billing rate of \$2.00 per Claim remains the same for this Amendment.

Funding for the first year of this Amendment is included in the Fiscal Year 2005-2006 Final Budget and will be requested in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On August 30, 1994, the Board approved Agreement Number H-203925 with Global Health Systems, Inc. (Global), for the provision of computer system maintenance services for the PMS and HCO systems, effective August 30, 1994 through August 29, 1996. Under delegated authority provided in the agreement, DHS extended the term for a two-month period, ending October 28, 1996.

On October 29, 1996, the Board approved Agreement Number H-206488 for the continued provision of computer system maintenance services for the PMS and HCO systems through October 31, 1998.

On March 25, 1997, Global officials notified DHS that HMS had acquired Global, effective March 10, 1997. The rights and responsibilities related to providing the contracted services to the County were assumed by HMS as a result of the acquisition.

On June 17, 1998, the Board acknowledged a transfer of ownership and approved the assignment of Agreement No. H-206488 from Global to HMS for the continued provision of computer system maintenance services for PMS and HCO. The Agreement has been extended several times and is currently slated to expire December 30, 2005.

On December 14, 1999, the Board approved the Agreement with HMS for the provision of maintenance, support and training for PMS system software for OMC and HCO system software for PH.

The Agreement has been extended several times and is currently slated to expire December 30, 2005.

This Amendment includes the Board-mandated provision "Contractor's Acknowledgment of County's Commitment to the Safely Surrendered Baby Law".

The Agreement may be terminated by the County at any time by giving at least sixty (60) days prior notice to the other party.

County Counsel has approved the attached Amendment (Exhibit I) as to form.

Attachment A provides additional information.

CONTRACTING PROCESS:

In January 1984, the Internal Services Department, Purchasing Agent, approved an agreement with Global for the installation of a proprietary Global PMS product through a competitive bid process. Since that time, DHS has recommended renewal of the Agreement with HMS because of the proprietary status of the PMS and HCO software.

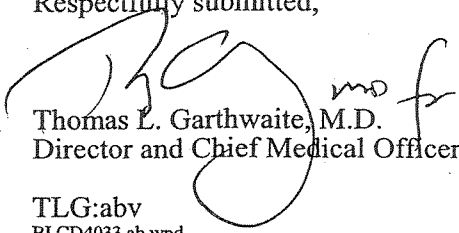
DHS does not advertise amendments on the Los Angeles County Online Web Site.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of this recommended extension will assure the continued provision of maintenance, support and training for PMS software which supports OMC and PH operations.

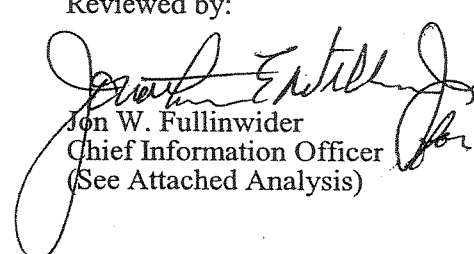
When approved, this Department requires three signed copies of the Board action.

Respectfully submitted,


Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:abv
BLCD4033.ab.wpd

Reviewed by:


Jon W. Fullinwider
Chief Information Officer
(See Attached Analysis)

Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

SUMMARY OF AGREEMENT1. TYPE OF SERVICE:

Provision of maintenance, support and training for Patient Management System software for the Office of Managed Care and the Health Center Operations System software for Public Health.

2. AGENCY ADDRESS AND CONTRACT PERSON:

Health Management Systems, Inc.
 9750 Business Park Drive, Suite 110
 Sacramento, California 95827-1716
 Attention: Carrie Cunningham
 Telephone: (916) 760-5102

3. TERM:

The term of the agreement will be extended through December 30, 2007, and upon the written mutual consent of County and Contractor, an optional two-year extension period through December 30, 2009.

4. FINANCIAL INFORMATION:

The amendment increases County's maximum contract obligation by \$4,644,315 over the two-year extension period, with an optional two-year extension maximum cost of \$5,499,334 for the two optional years, for a total of \$10,143,649 for the four-year period, all of which are 100% offset by State and federal funds. After giving effect to the amendment, the maximum contract obligation is \$18,353,400.

5. GEOGRAPHIC AREA SERVED:

Countywide

6. ACCOUNTABILITY FOR PROGRAM:

Tony Bacon, Chief, Management Information Systems, Public Health Programs and Services.

Laura Williams, Chief Information Officer, Managed Care Information Systems, Office of Managed Care.

7. APPROVALS:

Public Health:	John Schunhoff, Chief of Operations
County Chief Information Officer:	Jon Fullinwider, Chief Information Offices
Office of Managed Care:	Dave Beck, Interim Chief Executive Officer
Contracts and Grants:	Cara O'Neill, Chief
County Counsel (approval as to form):	Amanda M.. L. Drukker, Associate County Counsel

CIO ANALYSIS

AMENDMENT NUMBER THREE TO AGREEMENT H-211033 WITH HEALTH MANAGEMENT SYSTEM FOR PATIENT MANAGEMENT SYSTEM REVISED

CIO RECOMMENDATION: ☒ APPROVE ☐ APPROVE WITH MODIFICATION
☐ DISAPPROVE

Contract Type:

☐ New Contract ☒ Contract Amendment ☐ Contract Extension
☐ Sole Source Contract ☐ Hardware Acquisition ☐ Other

New/Revised Contract Term: Base Term: 2 Yrs # of Option Yrs 2

Contract Components:

☒ Software ☐ Hardware ☐ Telecommunications
☒ Professional Services

Project Executive Sponsor: Dave Beck, Interim Chief Executive Office, OMC
John Schunhoff, Chief Operations, Public Health

Budget Information :

Current Contract Amount	\$ 8,209,751
Requested Contract Amount	\$10,143,649
Aggregate Contract Amount	\$18,353,400

Project Background:

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project legislatively mandated?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project subvented? If yes, what percentage is offset? 100% by State and federal funds
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project/application applicable to (shared use or interfaced) other departments? If yes, name the other department(s) involved?

Strategic Alignment:

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project in alignment with the County of Los Angeles Strategic Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project consistent with the currently approved Department Business Automation Plan?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions Document? However, this is a transitional agreement to allow time to move to another IT solution.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles

		IT Standards? However, this is a transitional agreement to allow time to move to another IT solution.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	This contract and/or project and its milestone deliverables must be entered into the Information Technology Tracking System (ITTS). This Amendment is for continued provision of maintenance and support services.

Project/Contract Description:

The Department of Health Services (DHS) is requesting your Board to delegate authority to the Director and Chief Medical Officer of Health Services, or his designee, to sign an Amendment Number Three to Agreement H-211033 with Health Management Systems, Inc. (HMS) to provide ongoing software maintenance and professional services for the fully operational Community Health Plan – Patient Management System (PMS) and the Public Health – Health Center Operations System (HCO). This Amendment will extend the term of this Agreement for two years through December 30, 2007, with a two year optional extension through December 30, 2009 and will increase the contract sum by \$10,143,649 to a total of \$18,353,400, if the two year extension is exercised. This amount is 100% offset by State and federal funds.

Background:

On August 30, 1994, the Board approved Agreement No. H-203925 with Global Health Systems, Inc. (Global), for maintenance and support services for the PMS and HCO.

On October 29, 1996, the Board approved Agreement H-206488 for the continued provision of computer maintenance and support services for the PMS and HCO. Global was acquired by HMS and rights and responsibilities related to providing the contracted services to the County were assumed by HMS as a result of the acquisition. This transfer ownership was acknowledged and the assignment was approved by your Board on June 17, 1998. Subsequently, the Board approved another renewal agreement H-210100 with HMS on January 12, 1999, for continued provision of maintenance and support services for these systems.

On December 14, 1999, the Board approved the current renewal agreement H-211033 with HMS, for the continued provision of maintenance and support services for PMS and HCO. This Agreement was extended and is slated to expire December 30, 2005.

The proposed Amendment Number Three, if authorized by your Board, would provide continued maintenance and support services and support system enhancements required to meet emerging business needs and regulatory requirements. The cost for this Amendment reflects: (1) an annual three percent cost living increase for professional services relating to project administration and training; (2) a ten percent annual increase in billing rates for professional services-custom programming due to recruitment and retention issues for qualified programmers; and (3) an annual increase in maximum programming hours required to migrate the current application to more modern application platform and to meet emerging business/regulatory requirements.

Project Justification/Benefits:

Based on the contractual obligations between all health plans and the Department of Managed Health Care, Community Health Plan (CHP), which is a Knox-Keene licensed plan operated by the Office of Managed Care, is required by the California Code of Regulations under Title 28, Article 9, Section 1300.75.4.3 and Section 1300.84.6 to have a member/enrollment reporting system as well as data reporting system. The PMS component of this Agreement satisfies this requirement. Furthermore, the HCO component of the Agreement provides needed support for County public health centers and personal health centers to operate as health care facilities.

Project Metrics

This Amendment will extend the term until DHS can transition off of this software. The goal is simply to continue maintenance and support services and to implement system enhancements to meet regulatory requirements and changing business needs.

Impact On Service Delivery Or Department Operations, If Proposal Is Not Approved

If this Amendment is not approved, the County will be non-compliant with the Knox-Keene license and Title 28 requirements.

Alternatives Considered:

No other alternatives considered.

Project Risks:

The term provision of the agreement requires mutual agreement of the County and Contractor to execute the optional one-year extension. This provision poses the risk of the vendor requesting additional rate increases as a condition of agreeing to the extension.

Risk Mitigation Measures:

This risk can be minimized by the department promptly beginning its efforts to develop a solicitation for the replacement system. This will avoid the need for an extension. As indicated in the Board request, the Director or Acting Director of Office of Managed Care will be instructed to provide a written status report to your Board every six months regarding the procurement of this replacement system.

Financial Analysis:

This Amendment will extend the term of this Agreement for two years through December 30, 2007, with a two year optional extension through December 31, 2009 and will increase the contract sum by \$10,143,649 to a total of \$18,353,400, if the two year extension is exercised.

CIO Concerns:

None

CIO Recommendations:

My office supports this action and recommends approval by the Board.

CIO APPROVAL

Date Received:

12/02/2005

Prepared by:

Jorge Melendez

Date:

12/02/2005

Approved:

[Signature]

Date:

12-2-05